Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5

SECRET

NSC BACKGROUND PAPER 12 October 1961

10/14

YUGOSLAVIA

I. Yugoslavia's foreign policy derives from the Communist orientation of the Yugoslav leaders and from their desire to maintain the independence and freedom of maneuver acquired as result of their separation from the Communist bloc in 1948.

A. Communist orientation has led the Yugoslav leaders to adopt positions quite close to those of the USSR on many questions of international importance; at the Belgrade Conference, Tito in speech on 3 September 1961

1. Hewed much closer to Soviet position on Germany than US officials had been led to expect.

2. Stated that he understood the motives leading the Soviets to resume nuclear testing.

B. Yugoslav's failure to be readmitted to the Communist bloc on their own terms and their unwillingness to be too closely associated with the West have led Belgrade to an increasing identification with the foreign policy interests of the "uncommitted" states.

1. Yugoslavia is publicly committed to a "non-bloc" foreign policy, as are several other leading "uncommitted" states.

2. Yugoslavia is one of the leaders of the "uncommitted" states along with India, Indonesia, and the UAR (Egypt).

Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5

Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5

3. Yugoslavia is becoming increasingly committed to economic and cultural cooperation with these countries.

C. Despite its differences with, and propaganda attacks upon, Western policies, Yugoslavia has developed increasingly closer economic ties with the West since the rupture with the bloc.

1. It is a member of GAAT (General Agreement on Trade and Tariffs) and OECD (Organization for Economic Cooperation and Development).

2. In 1960, almost 46% of its exports, and about 48% of it imports, were with West European countries; the figures for East Europe and the USSR total 32% for exports, and 26% for imports.

3. Massive assistance from the West enabled the Yugoslavs to undertake their currency reform in 1960, which was designed in part to enable Yugoslav economic exchanges with the West.

II. The Yugoslav regime, dominated by the leadership of the Yugoslav League of Communists (YLC) under Tito, is an unusually (for Communist countries) stable administration.

A. Tito's personality has won considerable support for the regime from the Yugoslav peoples; it is also central to the unity of the YLC.

Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5

Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5

B. The stability of the regime will be in jeopardy when Tito dies because

1. No potential successor is considered able to fill Tito's boots.

2. Dormant nationality problems could arise in an interregnum.

III. The gradual shift away from typically Communist features of government and adoption of some features typical of western socialism will be formalized in a new constitution due to be promulgated next spring.

A. For several years the YLC has sought to enhance the role of non-party organizations in administering the country.

1. On the local level through granting more power to workers' councils.

2. On a broader level through enhancing the powers of of trade unions and mass organizations such as the Socialist Alliance of Working Peoples of Yugoslavia.

B. The several "republics" which comprise Yugoslavia have considerable latitude in formulating regional policies--one means through which the regime is attempting to eradicate vestiges of nationality problems.

C. The YLC, however, continues to dominate behind the scenes on all levels.

IV. It is on the domestic economic scene that Yugoslavia differs most from a typical Communist state.

Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5

Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5

A. Majority of Yugoslav agriculture remains uncollectivized.

B. Elements of competition have been introduced into the production system.

V. The Yugoslav economy, in part due to foreign assistance, has developed at a much more rapid rate than the economies of the East European satellite states.

A. The regime is alloting development funds within the country in favor of the more backward areas (Montenegro, the Kosmet, etc).

B. Yugoslavia hopes to be self-sufficient in several agricultural commodities--such as wheat, sugar beets, and corn--in the next few years.

C. In the first five months of 1961, industrial production increased only 9% as against a projected 12% rise over the same period last year. Shipbuilding, ferrous metalurgy and textiles, important economic sectors, showed little change over 1960 production levels. The regime, however, does not feel concerned about meeting the 1961 goals.

D. The standard of living in Yugoslavia in most respects is probably higher than in East Europe, despite an inflationary trend in recent years. (Cost of living rose about 10% in 1960).

Declassified and Approved For Release 2012/06/12 : CIA-RDP80S00003A000100100004-5